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SUBJECT: MORE EAST CHINA LEADERSHIP PERSPECTIVES

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Shanghai, Department of State.
REASON: 1.4 (b), (d)

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[1](#)1. (C) Summary. In our latest round of discussions, East China contacts reported that the Politburo Standing Committee would be shrinking from nine members to seven with several members retiring while the Politburo itself would also undergo a major shake up. Unclear, however, was the fate of Vice President Zeng Qinghong, who would ostensibly reach the "mandatory" retirement age, with one well-placed contact saying Zeng would definitely step down. Also to be decided was who would replace Vice Premier Huang Ju, with prospective candidates running the gamut from the heads of China's most powerful economic ministries to the party secretaries of Hubei and Guangdong and the Beijing Mayor. Up for grabs too was the powerful position of Secretary of the Discipline Inspection Commission. While the untimely death of the Minister of Supervision may have disrupted succession plans according to one contact, Minister of Public Security Zhou Yongkang was now the likely candidate, according to a separate contact. With the Party Congress and National People's Congress still months away, President Hu was busy filling ministerial seats, some perhaps as symbolic gestures, with others apparently designed to give him a political edge in the leadership jockeying. With all of the leadership changes in the air, one well-connected contact believed that party elder Jiang Zemin retained some influence--more than most elders--particularly on personnel issues. End summary.

Politburo Shakeup Expected

12. (C) During a May 14 discussion, Nanjing University Professor Gu Su said his contacts in Beijing had told him that the current plan was to shrink the Politburo Standing Committee (PBSC) from nine, back down to the pre-2002 level of seven. According to Gu's friends, current PBSC members Li Changchun, Vice Premier Huang Ju, Chinese People's Political Consultative Conference (CPPCC) Chairman Jia Qinglin, Central Discipline Inspection Commission (CDIC) head Wu Guanzheng, and Luo Gan would be retiring. The new lineup would include President Hu Jintao, Wu Bangguo, Premier Wen Jiabao, possibly Vice President Zeng Qinghong, and probably Liaoning Party Secretary Li Keqiang or Jiangsu Party Secretary Li Yuanchao.

13. (C) During a May 14 discussion with the Deputy Principal Officer, Hong Kong-based (but Beijing-origin) businessman Tang Qiongzhang, a friend of the husband of United Front Work Department Head and Hu Jintao protigi Liu Yandong, said he likewise expected a major shakeup in the Politburo and the PBSC. He said Liu Yuandong would be promoted to the Politburo as would the new Shanghai, Beijing, and Tianjin party secretaries. Personnel decisions would be ultimately made this summer and the name list would be finalized this fall prior to the Party Congress. Current speculation was that Huang Ju, Jia Qinglin, Wu Guanzheng, and Luo Gan would be stepping down. During a May 14 discussion with Pol/Econ Section Chief, JP Morgan General Manager for Greater China Andrew Zhang said that the argument over shrinking the PBSC was really a battle between Hu and Jiang. He repeatedly stressed that "you could be very surprised by who will move up."

14. (C) During a May 11 meeting with Pol/Econ Section Chief, Deputy Director of Shanghai's Office of Financial Services Fang Xinghai said that the key issue was not the number of people on the PBSC, but who the youngest members were. Fang said that if Hu was smart, he would name two younger protigis as PBSC members

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and let them compete to see who would emerge the winner. Fang suggested the "two Li's"--Liaoning Party Secretary Li Keqiang and Jiangsu Party Secretary Li Yuanchao as two possible candidates.

The Once and Future Zeng?

15. (C) Speculation over the future status of Vice President Zeng Qinghong was rife, with opinions all across the board. According to Professor Gu's Beijing sources, despite having reached the ostensible retirement age of 68, Zeng's status had not yet been finalized. Tang, however, was confident that Zeng would remain in place despite his age because he was still seen as the guardian of Jiang's interests while Jiang was alive, and in view of his status as the senior representative of the princelings. Tang explained that the late party elder Chen Yun had set down the principle that there must be a certain number of the children and grandchildren of senior party leaders in top positions within the party to protect the interests of the Party. These princelings would have too much of a personally vested interest in the system to ever turn against the party or to allow others to undermine the party's primacy. (Comment: Post has also heard this principle ascribed to Deng Xiaoping. Regardless of who said it, the sentiment appears to have been widely held and effectively implemented by top leaders as judging from the name list of princelings to be promoted said to be maintained by the Organization Department (Ref A). End comment.)

16. (C) According to Tang, Jiang Zemin was also supporting Zeng's bid to remain on the PBSC. Jiang had a personal obligation to Zeng stemming from early in Jiang's tenure, when his position with the military was still very weak. Zeng had once been a Secretary to Marshal (and former Minister of Defense) Zhang Aiping. Zeng worked to convince Zhang to support Jiang, and Zhang in turn was instrumental in moving Jiang's

detractors out of the Central Military Commission and putting Jiang in firm command of the military.

17. (S) During a May 16 discussion with Pol/Econ Section Chief, Chief Representative for China of The Carlyle Group Luo Yi was equally convinced that Zeng was definitely retiring. Luo said this information came from a source in Beijing who was "very close to Zeng." (Note: although Luo did not specify who his contact was, he is known to have connections to relatives at the very top of the Chinese leadership, including relatives of Hu Jintao and Wen Jiabao. End note.)

Who Will Represent The Families?

18. (C) If Zeng were to retire, it would leave the question of who would represent the princelings on the Politburo Standing Committee. Andrew Zhang believed that Hu was going to try to limit the number of princelings who could move up to senior positions. He wanted more people who had total allegiance to him and did not have many "debts" in their past. That said, Zhang expected that Trade Minister Bo Xilai would be promoted to the PBSC. Bo's father was party elder and Deng Xiaoping contemporary Bo Yibo.

Huang Ju Replacements Considered

19. (C) Our contacts offered up several possibilities--some more likely than others--for who might replace Huang Ju as Vice Premier in charge of financial policy, not necessarily as Executive Vice Premier. During a May 16 discussion, Gaohua Executive Director Raymond Yin argued that Trade Minister Bo Xilai was the leading contender to take over Huang's slot, with Beijing Mayor Wang Qishan also a front runner. (Note. Luo also had suggested Wang as a front-runner in a prior conversation reported septel. End note.) Other people under consideration for the job included Chongqing Vice Mayor Huang Qifen, the

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Liaoning Governor, and the National Reform Development Commission (NDRC) Chairman Ma Kai. Yin assessed that if the job went to Ma, that would be a negative sign since in Yin's opinion, Ma was not a reformer. Yin also shrugged off People's Bank of China (PBOC) Governor Zhou Xiaochuan's prospects, noting that while Zhou was good on policy, he lacked the political clout needed to secure the position.

110. (C) Fang assessed that Hubei Party Secretary Yu Zhengsheng or Guangdong Party Secretary Zhang Dejiang stood the best chance at replacing Huang. Fang noted that Huang's shoes would be hard to fill. Fang said that although he came to Shanghai after Huang had moved to Beijing, there was still strong support for Huang and positive memories of Huang's contribution to Shanghai's development. Huang was seen as a "deep thinker" who considered the consequences of various policies. For instance, Huang had been the central government leader behind the non-tradable share reform. Currently, with Huang out of action, China Security Regulation Commission Chairman Shang Fulin was too scared to make difficult decisions and was primarily concerned with securing his next position. Every big decision went directly to the State Council. Premier Wen did not have the confidence or expertise on financial policy issues that his predecessor Zhu Rongji had so decisions were just not happening.

111. (C) Andrew Zhang believed that PBOC Governor Zhou, NDRC Chairman Ma and Finance Minister Jin Renqing were the leading candidates. Jin was "too old," however, and would be unable to stay in position for two terms, which Zhang believed would hurt his prospects. Ma Kai held considerable power as head of the NDRC, a "super ministry" with 6 minister-level and 15 vice-minister level leaders. Anyone wanting a business deal approved in China needed to work with someone from the NDRC. (Note: Zhang said that was getting more difficult with recent

rules that prevented former government officials from lobbying their former ministries for at least one year after departing. End note.) However, as the head of such a powerful ministry, Ma had also made a number of political enemies and had few strong political backers. Zhang believed that Zhou, seen as a technocrat without strong backing, actually stood a better chance at Huang's job "than most give him credit." (Comment: Zhou's prospects were virtually nonexistent according to previous conversations with other East China contacts. End comment.)

And the New CDIC Head is...

¶12. (C) Gu said that recently deceased Minister of Supervision Li Zhilun had been one of the leading candidates to replace Wu Guanzheng as CDIC head. His death had thrown a monkey wrench into the current succession planning. Gu had also heard that one of the CDIC vice chairs was a contender for the job. (Note: Gu could not remember the name, he could only remember that the person was in his mid-50s and hailed from Qinghai. End note.) During a May 15 discussion, Jiaotong University School of International and Public Affairs Executive Dean Hu Wei said that he believed Minister of Public Security Zhou Yongkang was the likely candidate to move up and take over the CDIC from Wu Guanzheng.

Method to the Ministerial Madness

¶13. (C) Gu explained that the timing of the recent ministerial appointments--five in the past several months--was not coincidental. In most cases, these appointments could have waited until the 2008 People's Congress. However, Hu needed more votes on the Central Committee and was trying to pack it with his people in a bid to gain support for his personnel and policy changes. Gu speculated that current Minister of Education and Jiang Zemin protégé Zhou Ji might be removed soon as a product of Hu's ongoing efforts. Zhou had recently been coming under increasing public criticism from NPC representatives due to his poor policies and the rampant corruption and wasting of funds by the presidents of many of the

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universities under the Ministry's control. Criticisms had appeared in the People's Daily and the Southern Weekend newspapers. (Comment: Gu was aware that a ministerial appointment did not necessitate a Central Committee appointment, but that it often resulted in one. End comment.)

¶14. (C) According to Fang, the last several ministerial appointments indicated Hu Jintao's effort to promote technocrats due to their substantive expertise rather than simply their political connections. For instance, Foreign Minister Yang Jiechi was a graduate of the London School of Economics and had spent considerable time in the United States. MOST Minister Wan was also an example of a technical expert-turned minister as were the new Ministers of Land and Natural Resources and Water Resources--both highly-trained geologists. The Land Minister, Fang noted, also had political connections and had "followed" Premier Wen for the past 20 years. Fang expected that Hu might put more of his Communist Youth League cronies out in the provinces.

Wan Gang: Loved by Wen, Adored by Germany

¶15. (C) Hu Wei said that newly appointed Minister of Science and Technology (MOST) Wan Gang--the first non-Communist Party minister in several decades--was chosen, in part, to symbolize the party's commitment to multi-party cooperation. Hu agreed with an earlier assessment that Wan's lack of party standing was unimportant to his actual authority, stating that what was

important was his willingness to listen to the central government (Ref A). During a May 16 discussion, People's Daily Shanghai Politics and Law reporter Bao Jian said she also believed that Wan's promotion was a symbolic gesture. She explained that MOST was largely an unimportant Ministry and that Hu could safely install a non-party Minister without taking a serious risk. (Comment: The new Minister of Health Chen Zhu, also not a party member, was appointed after we spoke with our contacts. However, we assess that for the most part, the appointment did not conflict with our contacts' assessments. End comment.)

¶16. (C) Hu assessed that Wan was well-liked by Premier Wen Jiabao. While Wan was in Germany working for Audi, he prepared a report for the State Council on how to develop China's automobile sector. Wen was so impressed with the report and Wan's "cleverness" that he tasked then-MOST Minister Xu Guanhua to entice Wan to return to China and help implement the suggestions in his report. Xu personally flew to Germany to meet with Wan and, with the support of Wen, helped arrange a posting for Wan as Dean of Tongji University's Automotive School. Wen later supported Wan's promotion to Assistant President, Vice President, and President of the university, and ultimately his transfer to Beijing for his current slot. Hu was impressed at the speed with which Wan shot up through the ranks, attaining the post of minister just seven years after returning to China.

¶17. (C) Hu assessed that Wan had close ties to Germany and the German automobile industry that would help pave the way for closer cooperation between MOST and the EU in the future. Professor Hu believed this was one of the reasons the leadership had supported Wan's promotion. China was pursuing a foreign policy of "multi-polarization," or deepening relations with other economic and political centers, such as the EU, rather than "hang itself from a single tree" in building ties to the United States. Hu said there were many scholars, entrepreneurs, and even people within the leadership who believed that war with the United States was inevitable and that China needed to have a network of friends that it could fall back on when that time eventually came. No one, Hu said, believed that war with the EU was a future possibility. Hu said that multi-polarization did not necessarily come at the cost of the U.S.-China relationship, adding that U.S. firms had been working for some time to build stronger relations with Wan. GM, for instance, had donated more than USD 370 million in software, other intellectual property, and facilities to Tongji's Automotive School.

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¶18. (C) Fang was not sure of the significance of Wan's appointment since MOST was never a powerful bureaucracy to begin with. Fang believed that without a party member at its head, MOST's influence would be even more limited. Moreover, without party rank, Wan would be excluded from MOST party committee meetings and would not even have the power to appoint people in his own Ministry--a job reserved for the party secretary.

Elders Not too Important, Except for Jiang

¶19. (C) According to Tang, most party elders were no longer very influential in politics or personnel. Elders Li Peng, Qiao Shi, Li Ruihuan and the like all received internal party documents for review and were allowed to make suggestions on party deliberations, but they had actually very little power or authority by themselves. Tang assessed that if several of them were to join forces and present a unified voice on a given issue, then Hu Jintao and the rest of the PBSC would have to take them seriously. However, given that many of the elders--such as Li Peng, Zhu Rongji, and Qiao Shi--did not get along well, it was unlikely that they would put aside their differences to work together. (Comment: Tang's assessment implies that there is nothing that the current leadership is doing that more than a few party elders find offensive. End

comment.)

¶20. (C) Most elders exercised influence indirectly through their protigis on the Politburo. For instance, PBSC member Luo Gan was Li Peng's protigi, Wen Jiabao was Zhu Rongji's, and Wu Guanzheng was Qiao Shi's. Former Chairman of the Chinese People's Political Consultative Conference Li Ruihuan was of a different mold than his contemporaries, having earned his political break due to his status as a "model worker" and was seen by his peers as more of a political lightweight. Everyone on the PBSC represented someone's patronage chain.

¶21. (C) Tang believed, however, that party elder Jiang Zemin maintained more influence than his peers, particularly over personnel issues. Tang himself was attempting to persuade Jiang to support Hong Kong legislator Phillip Huang Yihong in his bid to become the token Hong Kong vice chair at the National People's Congress (NPC). Tang thought Jiang would have significant say over choosing Hu Jintao's successor. Tang did not believe that Hu had Deng's or even Jiang's political stature and would be unable to impose his will on the other PBSC members.

¶22. (U) This cable was cleared by Embassy Beijing.
JARRETT